

Message Text

PAGE 01 STATE 092035

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ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 EA-06 IO-10 ISO-00 L-02 STR-04

H-02 COME-00 FEA-01 TAR-01 SS-15 NSC-05 TRSE-00

CIAE-00 INR-07 NSAE-00 /079 R

DRAFTED BY EB/OT/TA:BREDECKER:MAM
APPROVED BY EB/OT/TA:WGBARRACLOUGH
EB/FSE:RMARTIN
EUR/CEN:LHEICHLER
L/EB:CPITMAN
STR:JGREENWALD
H:GWINNETT

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P R 221953Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY BONN PRIORITY
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY ROME
AMEMBASSY OTTAWA
AMEMBASSY THE HAGUE
AMEMBASSY MEXICO
USMISSION GENEVA
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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GENEVA FOR USDEL MTN

E.O. 11652: N/A
TAGS: ETRD, US
SUBJECT: CONGRESSIONAL CONSIDERATION OF IMPORT RESTRICTIVE
MEASURES ON AUTOMOBILES

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PAGE 02 STATE 092035

REF: BONN 6290 (NOTAL)

1. DEPARTMENT NOT AWARE AT THIS TIME OF ANY CONGRESSIONAL
CONSIDERATION OF OUTRIGHT OR EXPLICIT QUOTAS ON IMPORTED

AUTOMOBILES. BELIEVE FRG ECONOMICS MINISTRY MAY BE EITHER REFERRING TO A) REBATE FEATURE WHICH EXCLUDES IMPORTS IN A BILL PROVIDING, AMONG OTHER MEASURES, INCENTIVES FOR MANUFACTURING FUEL EFFICIENT VEHICLES, AND/OR B) TO PROPOSED AMENDMENT TO ANOTHER PETROLEUM BILL REPORTEDLY INTRODUCED BY REP. OTIS PIKE AND CALLING FOR A TARIFF RATE QUOTA ON IMPORTS OVER 1975 LEVELS, IF A GIVEN CONTENT REQUIREMENT IN IMPORTED VEHICLES IS NOT MET.

2. FIRST MEASURE IS CONTAINED IN SECTION 501(A)(1) OF THUS FAR UNNUMBERED APRIL 8 PRELIMINARY PRINT OF "ENERGY CONSERVATION AND OIL POLICY ACT OF 1975", CURRENTLY UNDER CONSIDERATION IN SUBCOMMITTEE ON ENERGY AND POWER OF HOUSE INTERSTATE AND FOREIGN COMMERCE COMMITTEE. BILL WOULD PROVIDE "TO EACH MANUFACTURER A REBATE WITH RESPECT TO EVERY DOMESTICALLY MANUFACTURED AUTOMOBILE WHICH IS MANUFACTURED AND SOLD BY SUCH MANUFACTURER AFTER AUGUST 31, 1976..." REBATE, TO BE PASSED THROUGH TO PURCHASER AND STARTING WITH 1977 MODEL YEAR, WOULD BE GRADUATED WITH AMOUNT DETERMINED BY VEHICLE'S ABILITY TO MEET EXPLICIT LEVELS OF FUEL EFFICIENCY. SIZE OF REBATE INCREASES IN RELATIONSHIP TO FUEL EFFICIENCY CRITERIA DURING EACH MODEL YEAR AFTER 1976, UP TO AND THROUGH 1981, BUT FUEL EFFICIENCY CRITERIA THEMSELVES ALSO INCREASE PROGRESSIVELY. PROBLEM IS THAT REBATE WOULD NOT APPLY AT ANY TIME TO FOREIGN MADE VEHICLES, ALTHOUGH MANY WOULD QUALIFY INITIALLY, AND WOULD PROBABLY CONTINUE TO DO SO AT HIGHER LEVELS OF REBATE BY 1981.

3. SECOND MEASURE WAS APPARENTLY PROPOSED BY REPRESENTATIVE PIKE AS AMENDMENT TO HR 5005, DATED MARCH 18, "THE ENERGY CONSERVATION AND CONVERSION ACT OF 1975". AMONG WIDE RANGE OF POLICY ACTIONS ON PETROLEUM, BILL PROPOSES AN EXCISE TAX ON AUTOMOBILES BASED ON FUEL MILEAGE RATES AND IS CURRENTLY UNDER CONSIDERATION BY HOUSE WAYS AND MEANS COMMITTEE. WHILE TEXT OF PIKE PROPOSAL NOT AVAILABLE TO DEPARTMENT AT THIS TIME (LANGUAGE IN FACT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 STATE 092035

MAYNOT EXIST), WE UNDERSTAND IDEA IS TO PROVIDE FOR AN INCREASED TARIFF (10 PERCENT AD VALOREM BEING MENTIONED) ON IMPORTS OF ALL AUTOMOBILES ABOVE 1975 LEVELS (I.E. EACH MANUFACTURER WOULD BE ABLE TO IMPORT UP TO 1975 LEVEL WITHOUT ADDITIONAL TARIFF) IF THEY ARE UNABLE TO MEET A PROGRESSIVELY INCREASING "DOMESTIC CONTENT" REQUIREMENT. CONTENT REQUIREMENT WOULD INCREASE FROM 10 PERCENT IN 1976 MODEL YEAR TO 60 PERCENT IN 1980 MODEL YEAR AND WOULD REMAIN IN EFFECT FOR AS LONG AS AN AUTO EFFICIENCY TAX REMAINS IN EFFECT. THERE APPEARS TO BE SOME OPPOSITION TO THIS MEASURE AMONG INFLUENTIAL MEMBERS OF THE HOUSE WAYS AND MEANS COMMITTEE.

4. DEPARTMENT HAS WRITTEN APRIL 21 TO APPROPRIATE COMMITTEE CHAIRMEN EXPRESSING STRONG OBJECTION TO DISCRIMINATORY FEATURES DESCRIBED ABOVE. WHILE ENDORSING CONGRESSIONAL ACTION TO PROVIDE INCENTIVES FOR INCREASING FUEL EFFICIENCY, WE HAVE STRESSED THAT ANY MEASURES TO ACHIEVE THIS SHOULD NOT DISCRIMINATE EITHER DIRECTLY OR INDIRECTLY AGAINST IMPORTED AUTOMOBILES. TO DO SO WOULD CONSTITUTE VIOLATIONS OF OUR INTERNATIONAL OBLIGATIONS, REDUCE OUR CREDIBILITY IN SEEKING A RENEWAL OF THE OECD TRADE PLEDGE, AND SERIOUSLY COMPLICATE THE PROSPECTS FOR MEANINGFUL TRADE LIBERALIZATION IN THE MTN.

5. WE HOPE FOREGOING WILL PERSUADE COMMITTEES IN QUESTION TO DROP DISCRIMINATORY FEATURES AGAINST FOREIGN MADE AUTOMOBILES BUT DEPARTMENT WILL IN ANY CASE USE EVERY OPPORTUNITY TO PERSUADE CONGRESS TO THIS END.

6. EMBASSY BONN MAY DRAW ON FOREGOING TO RESPOND TO FRG ECONOMICS MINISTRY, STRESSING STRONG DEPARTMENT VIEWS ON MATTER. INFO ADDRESSEES MAY DO LIKEWISE, BUT ONLY IN RESPONSE TO DIRECT QUESTIONS ON PART OF HOST GOVERNMENTS. WE WILL KEEP YOU APPRISED OF FURTHER DEVELOPMENTS AND ANY ACTIONS ON OUR PART. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOBILES, CENTRAL LEGISLATURE, IMPORT CONTROLS, IMPORT QUOTAS, US CONGRESSIONAL HEARINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE092035
Document Source: ADS
Document Unique ID: 00
Drafter: EB/OT/TA:BREDECKER:MAM
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750141-0223
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197504103/baaaahpq.tel
Line Count: 135
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> sph 971001
Subject: n/a
TAGS: ETRD, GE, US
To: BONN INFO LONDON
PARIS
TOKYO
ROME
OTTAWA
THE HAGUE

MEXICO
GENEVA
EC BRUSSELS
OECD PARIS

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006